

AMENDED IN SENATE JUNE 21, 2007

AMENDED IN ASSEMBLY APRIL 11, 2007

AMENDED IN ASSEMBLY MARCH 22, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 171**

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### **Introduced by Assembly Member Beall**

January 23, 2007

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An act to repeal and add Article 12 (commencing with Section 69740) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

#### LEGISLATIVE COUNSEL'S DIGEST

AB 171, as amended, Beall. Student financial aid: Assumption Program for Loans for Law in the Public Interest.

Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. Existing law establishes the Public Interest Attorney Loan Repayment Program, under the administration of the commission, as a student loan repayment program for licensed attorneys who practice or agree to practice in public interest areas of the law, as defined to include service at a local legal services organization, prosecuting attorney's office, child support agency office, or criminal public defender's office, and who meet other designated criteria. Under the program, the commission is authorized to make 3,000 awards of loan assumption annually, and participants are eligible for a maximum of \$11,000 in loan assistance for 4 years of service as a public interest attorney, as specified.

This bill would repeal that program, and, instead, establish the Assumption Program for Loans for Law in the Public Interest, under the administration of the commission, as a loan assumption program for licensed attorneys who meet certain eligibility criteria. The bill would authorize the commission to assume up to \$11,000 in loans for 4 consecutive years of employment by an eligible public interest employer, as defined. The bill would create the Assumption Program for Loans for Law in the Public Interest Account in the State Treasury. The account would consist of funds ~~appropriated by the Legislature for the program~~ and from private contributions to the program. The bill would require the commission to report annually to the Legislature regarding the program. *The bill would repeal these provisions on January 1, 2015.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Article 12 (commencing with Section 69740) of  
2 Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code  
3 is repealed.

4 SEC. 2. Article 12 (commencing with Section 69740) is added  
5 to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education  
6 Code, to read:

7  
8 Article 12. Assumption Program for Loans for Law in the Public  
9 Interest

10  
11 69740. (a) The Legislature finds and declares all of the  
12 following:

13 (1) The cost of attending law school in California has risen  
14 significantly over the past 20 years and attorneys now graduate  
15 from law school with substantial amounts of educational loan debt.

16 (2) There is a growing disparity between the educational loan  
17 debt of recently graduated attorneys and the salaries paid by public  
18 interest employers in California, particularly for legal services  
19 nonprofit corporations who provide assistance to low-income and  
20 other underrepresented Californians.

21 (3) As a result of the growing disparity between public interest  
22 law salaries and law school graduate's loan debt levels, public

1 interest employers have difficulty recruiting and retaining attorneys  
2 for public interest attorney positions. The inability to retain  
3 attorneys in public interest employment imposes a cost on the  
4 statewide services delivery system and is a barrier to ensuring  
5 access to justice for low-income and other Californians.

6 (4) The costs of law school education, coupled with the disparity  
7 in public interest salaries, make loan repayment options an  
8 important consideration in attorneys' decisions to pursue public  
9 interest employment and in their ability to continue a legal career  
10 in the public interest.

11 (b) It is, therefore, the intent of the Legislature that the  
12 Assumption Program for Loans for Law in the Public Interest be  
13 designed to encourage graduates of law school and licensed  
14 attorneys to enter into and then remain in public interest  
15 employment.

16 69741. As used in this article, the following terms have the  
17 following meanings:

18 (a) "Account" means the Assumption Program for Loans for  
19 Law in the Public Interest Account established by Section 69748.

20 (b) "Advisory committee" means the advisory committee  
21 established by the commission pursuant to subdivision (b) of  
22 Section 69747.

23 (c) "Commission" means the Student Aid Commission.

24 (d) "Eligible law school institution" means a postsecondary  
25 institution leading to a juris doctor degree that is determined by  
26 the Student Aid Commission to meet both of the following  
27 requirements:

28 (1) The institution is accredited by either the American Bar  
29 Association or the State Bar of California.

30 (2) The institution is eligible to participate in state and federal  
31 financial aid programs.

32 (e) "Eligible program participant" means any person who  
33 satisfies the criteria of one of the two eligibility categories as  
34 follows:

35 (1) Any person enrolled in an eligible law school institution  
36 who will graduate with a degree of juris doctor at the end of the  
37 current academic year.

38 (2) Any person currently employed by an eligible public interest  
39 employer.

1 (f) “Eligible public interest employer” means a legal employer  
2 determined by the commission, in consultation with the advisory  
3 committee, to serve the public interest, including, but not  
4 necessarily limited to, through the provision of direct legal services  
5 at one of the following:

- 6 (1) Legal services organization.
- 7 (2) Prosecuting attorney’s office.
- 8 (3) Child support agency office.
- 9 (4) Criminal public defender’s office.
- 10 (5) County counsel office.

11 (g) “Legal services organization” means one of the following:

12 (1) A nonprofit incorporated and operated exclusively in  
13 California which provides as its primary purpose and function  
14 legal services without charge to indigent persons as defined in  
15 subdivision (d) of Section 6213 of the Business and Professions  
16 Code.

17 (2) A program operated exclusively in California by a nonprofit  
18 law school accredited by the State Bar of California that operates  
19 as an identifiable law school unit with a primary purpose and  
20 function of providing legal services without charge to indigent  
21 persons as defined in subdivision (d) of Section 6213 of the  
22 Business and Professions Code.

23 (3) An incorporated nonprofit legal services center, which has  
24 as its primary purpose and function the provision of legal training,  
25 legal technical assistance, or advocacy support without charge to  
26 legal services organizations.

27 (h) “Program” means the Assumption Program for Loans for  
28 Law in the Public Interest.

29 69742. (a) The Assumption Program for Loans for Law in the  
30 Public Interest is established for licensed attorneys who practice  
31 in public interest areas of the law in this state.

32 (b) Any eligible program participant may enter into an  
33 agreement for loan assumption, to be redeemed pursuant to Section  
34 69743, upon becoming employed in an attorney position at an  
35 eligible public interest employer. In order to be eligible to enter  
36 into an agreement for loan assumption, an applicant shall satisfy  
37 all of the conditions specified in subdivision (c).

38 (c) Program participants shall meet all of the following eligibility  
39 criteria before selection in the program and shall continue to meet  
40 these criteria, as appropriate, during the payment periods:

1 (1) The participant shall be a California resident.

2 (2) The participant shall not owe a refund on any state or federal  
3 educational grant or have delinquent or defaulted student loans.

4 (3) The participant shall have received, or be approved to  
5 receive, a loan under one or both of the following designated loan  
6 programs:

7 (A) The Federal Family Education Loan Program (20 U.S.C.  
8 Sec. 1071 et seq.).

9 (B) Any loan program approved by the Student Aid  
10 Commission.

11 (4) (A) Except as provided in subparagraph (B), the participant  
12 shall be an attorney licensed to practice law by the State Bar of  
13 California.

14 (B) (i) Notwithstanding subparagraph (A), the participant may  
15 be a Registered Legal Services Attorney with the State Bar of  
16 California who is meeting the requirements of that program and  
17 has not yet practiced law in California for more than three years.

18 (ii) Notwithstanding subparagraph (A), any participant who is  
19 enrolled in or who has received a degree of juris doctor from an  
20 eligible law school institution at the time of application, but has  
21 not yet received a license to practice law in California, may be  
22 eligible to receive a ~~conditional warrant for loan assumption~~ *loan*  
23 *assumption agreement*, to be redeemed pursuant to Section 69744  
24 upon becoming licensed to practice law in the State of California.

25 ~~(5) The program participant shall apply for any educational loan~~  
26 ~~assistance or forgiveness programs for which the participant may~~  
27 ~~qualify through any other source available, including, but not~~  
28 ~~limited to, the eligible law school institution from which the~~  
29 ~~participant graduated. Only participants who receive no or partial~~  
30 ~~loan repayment assistance may participate in the program, and~~  
31 ~~participants shall report any other loan assistance as part of the~~  
32 ~~application process for the program.~~

33 ~~(6)~~

34 (5) The program participant shall agree to be employed ~~full-time,~~  
35 ~~or full-time equivalent status,~~ by one or more eligible public  
36 interest employers for at least four consecutive years.

37 ~~(7)~~

38 (6) A person participating in the program pursuant to this section  
39 shall not receive more than one warrant.

1     69743. (a) The commission shall commence loan assumption  
2 payments, as specified in Section 69744, upon verification that  
3 the applicant has fulfilled all of the following:

4     (1) The applicant has completed one year of ~~full-time~~  
5 ~~employment, or full-time equivalent status,~~ *employment* in an  
6 attorney position with one or more eligible public interest  
7 employers.

8     (2) The application has met the requirements of the agreement  
9 and all other pertinent conditions of this article.

10    (b) For participants who have received a ~~conditional warrant~~  
11 *loan assumption agreement pursuant to clause (ii) of subparagraph*  
12 *(B) of paragraph (4) of subdivision (c) of Section 69742*, the  
13 commission shall redeem an applicant's warrant and commence  
14 loan assumption payments as specified in Section 69744 upon  
15 verification that the applicant has fulfilled both of the following:

16     (1) The participant has received a juris doctor degree from an  
17 eligible law school institution.

18     (2) The participant has received a license to practice law from  
19 the State Bar of California.

20    69744. (a) The terms of a loan assumption granted under this  
21 article shall be as follows, subject to the specific terms of each  
22 agreement:

23     (1) After a program participant has completed one year of  
24 employment at one or more eligible public interest employers, the  
25 commission shall assume up to two thousand dollars (\$2,000) of  
26 the participant's outstanding liability under one or more of the  
27 designated loan programs.

28     (2) After a program participant has completed two consecutive  
29 years of employment at one or more eligible public interest  
30 employers, the commission shall assume up to an additional three  
31 thousand dollars (\$3,000) of the participant's outstanding liability  
32 under one or more of the designated loan programs, for a total loan  
33 assumption of up to five thousand dollars (\$5,000).

34     (3) After a program participant has completed three consecutive  
35 years of employment at one or more eligible public interest  
36 employers, the commission shall assume up to an additional three  
37 thousand dollars (\$3,000), for a total loan assumption of up to  
38 eight thousand dollars (\$8,000).

39     (4) After a program participant has completed four consecutive  
40 years of employment at one or more eligible public interest

1 employers, the commission shall assume up to an additional three  
2 thousand dollars (\$3,000), for a total loan assumption of up to  
3 eleven thousand dollars (\$11,000).

4 (b) The issuance of warrants under this article in any fiscal year  
5 shall be subject to the provision of funding therefor in the annual  
6 Budget Act.

7 (c) *The commission shall determine a method to prorate the*  
8 *benefits provided for in this section for employees who work less*  
9 *than fulltime.*

10 69745. (a) Except as provided in subdivision (b), if a program  
11 participant fails to complete a minimum of four consecutive years  
12 of employment at one or more eligible public interest employers,  
13 as required by this article, under the terms of the agreement  
14 pursuant to Section 69742, the participant shall assume full liability  
15 for all student loan obligations remaining after the commission's  
16 assumption of loan liability for the last year of qualifying public  
17 interest employment pursuant to Section 69742.

18 (b) Notwithstanding subdivision (a), if a program participant  
19 becomes unable to complete one of the four consecutive years of  
20 public interest employment due to serious illness, pregnancy, or  
21 other natural causes, the participant shall receive a deferral of the  
22 resumption of full liability for the loan for a period not to exceed  
23 one calendar year.

24 69746. (a) The commission shall, in consultation with the  
25 advisory committee, establish eligibility criteria selection of  
26 program participants based upon need and merit. These criteria  
27 *for applicants who are currently enrolled in eligible law school*  
28 *institutions and who will graduate at the end of the current school*  
29 *year shall be based on all of the following, which are set forth in*  
30 *order of importance:*

31 ~~(1) The applicant's need, which shall be based on the applicant's~~  
32 ~~salary, personal resources, other loan assistance funds or loan~~  
33 ~~forgiveness received through other sources, including, but not~~  
34 ~~limited to, law school or postgraduate fellowship loan repayment~~  
35 ~~assistance programs, and total amount of debt from loan programs~~  
36 ~~designated in paragraph (3) of subdivision (c) of Section 69742.~~

37 *(1) The applicant's financial neediness based on factors*  
38 *including, but not limited to, the amount of federal subsidized loan*  
39 *debt and other education loan debt.*

1 (2) The applicant's commitment to public interest law, which  
2 shall be determined by examining the applicant's employment and  
3 volunteer history, and taking into consideration a low-income  
4 applicant's need to work while in law school.

5 (3) The applicant's declared interest in practicing in areas of  
6 the state where the need for public interest attorneys is high.

7 (4) *Whether the applicant has applied for any educational loan*  
8 *assistance or forgiveness programs for which the participant may*  
9 *qualify through any other source available, including, but not*  
10 *limited to, the eligible law school institution from which the*  
11 *participant graduated. Only participants who receive no or partial*  
12 *loan repayment assistance may participate in the program, and*  
13 *participants shall report any other loan assistance as part of the*  
14 *application process for the program.*

15 ~~(4)~~

16 (5) Other criteria as determined by the commission in  
17 consultation with the advisory committee.

18 (b) *The criteria for applicants employed in an attorney position*  
19 *by an eligible public interest employer shall be based on all of the*  
20 *following, which are set forth in order of importance:*

21 (1) *The employee's compensation level.*

22 (2) *The applicant's financial neediness based on factors*  
23 *including, but not limited to, the amount of federal subsidized loan*  
24 *debt and other education loan debt.*

25 (3) *The extent to which there are unfilled positions within city,*  
26 *county, state, or other governmental offices.*

27 (4) *Certification of having applied for any educational or*  
28 *financial aid provided by the employer.*

29 (5) *Other criteria as determined by the commission in*  
30 *consultation with the advisory committee.*

31 ~~(b)~~

32 (c) Distribution of awards between types of applications shall  
33 be as follows:

34 (1) Fifty percent of the participants shall be selected from  
35 applicants who are currently enrolled in eligible law school  
36 institutions and who will graduate at the end of the current school  
37 year.

38 (2) Fifty percent of the applications shall be selected from  
39 applicants currently employed in an attorney position by an eligible  
40 public interest employer.



1 (e)

2 (d) If the number of applications received by the commission  
3 in either category is such that there are insufficient applications to  
4 award 50 percent to either category, the commission may reallocate  
5 the remaining percentage of awards to the other category.

6 69747. (a) The commission shall administer this article, and  
7 shall adopt rules and regulations for that purpose within one year  
8 of the effective date of the initial appropriation funding the  
9 program. The rules and regulations shall include, but need not be  
10 limited to, provisions regarding the period of time during which  
11 an agreement shall remain valid, the reallocation of resources in  
12 light of agreements that are not utilized by program participants,  
13 the failure, for any reason, of a program participant to complete a  
14 minimum of four consecutive years of public interest employment,  
15 and the development of projections for funding purposes.

16 (b) The commission shall establish an advisory committee to  
17 solicit advice regarding the proposed rules and regulations. The  
18 advisory committee shall include representatives from eligible law  
19 school institutions, the State Bar of California's Standing  
20 Committee on the Delivery of Legal Services, the California Access  
21 to Justice Commission, the Legal Aid Association of California,  
22 and eligible public interest employers and their associations  
23 throughout the state.

24 (c) The commission shall distribute program information and  
25 applications to participate in the loan assumption program to each  
26 eligible law school institution and to each eligible public interest  
27 employer. The commission shall enlist the advice of and support  
28 on its outreach efforts of the Legal Aid Association of California,  
29 the State Bar of California, and eligible public interest employers  
30 and their associations throughout the state.

31 (d) Once a participant's eligibility expires, the commission shall  
32 not be responsible for any participant's outstanding payments on  
33 principal and interest to any lender.

34 69748. (a) The Assumption Program for Loans for Law in the  
35 Public Interest Account is hereby created in the State Treasury.

36 ~~(b) All moneys appropriated by the Legislature for the program~~  
37 ~~shall be deposited in the account. The account shall consist of~~  
38 ~~funds appropriated by the Legislature for the program and private~~  
39 ~~contributions to the program.~~

1 (b) *The account shall consist of private contributions to the*  
2 *program. It is the intent of the Legislature that the commission*  
3 *solicit and receive private donations for the program.*

4 (c) With the exception of operating costs associated with the  
5 management of the account by the Treasurer, the account shall be  
6 credited with all investment income earned by the account.

7 (d) The Treasurer may invest, reinvest, manage, contract, sell,  
8 or exchange moneys in the account.

9 (e) Moneys in the account may be spent only for the purposes  
10 of the program as specified in this article, including reasonable  
11 administrative costs and loan repayments.

12 (f) The Treasurer shall routinely consult and communicate with  
13 the commission on the investment policy, earnings of the account,  
14 and related needs of the program.

15 69749. The commission shall report annually to the Legislature  
16 regarding this program. The report shall include, but not necessarily  
17 be limited to, all of the following data:

18 (a) The total number of program participants.

19 (b) The number of participants nominated by eligible law school  
20 institutions and eligible public interest employers.

21 (c) The number of participants by type of public interest  
22 employer.

23 (d) The number of years of public interest law employment by  
24 program participants.

25 (e) The amount of educational debt by program participants.

26 (f) The amount of funds expended for the purposes of loan  
27 repayments, and the total amount of funds expended to defray  
28 administrative costs, in the immediately preceding fiscal year.

29 (g) The annual and cumulative attrition rates of participants, as  
30 calculated through the end of the immediately preceding fiscal  
31 year.

32 69749.3. *The Legislative Analyst's Office, as part of its annual*  
33 *budget analysis, shall report on the effectiveness of the program.*

34 69749.5. *This article shall remain in effect only until January*  
35 *1, 2015, and as of that date is repealed, unless a later enacted*  
36 *statute, that is enacted before January 1, 2015, deletes or extends*  
37 *that date.*